

8. TRANSPORT COSTS FOR WASTE TO KATE VALLEY

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The purpose of this report is to recommend a mechanism for payment of a portion of the transport costs of waste to be transported from Ashburton and Selwyn District Councils to Kate Valley Landfill in terms of the transport cost scheme.

BACKGROUND

Right from the start of the search for a new regional landfill under the direction of the Canterbury Waste Joint Standing Committee the intention has been to ensure that those communities furthest away from the regional landfill would not be penalised from participating in the landfill through distance from the eventual site, wherever it turned out to be. The *Constituting Agreement* of the Subcommittee subsequently reflected the undertaking to deal with the issue at the appropriate time.

On 9 August 2004 the Subcommittee considered a report on the cost of transporting waste to Kate Valley landfill and resolved as follows:

1. *That it is appropriate to develop and implement a transport cost scheme as set out in option 2 of the report.*
2. *That there be a written agreement between the shareholder councils to agree the scheme details and methodology.*
3. *That the reallocation of the Transwaste Canterbury Ltd dividend be the means of implementing the scheme.*

This report also contained the following information on the possible costs related to the transport scheme:

"On the basis of proportional tonnages Christchurch (93%), Banks Peninsula (0.83%) and Waimakariri (6.17%) would be sharing the additional costs of Selwyn and Ashburton. Only when actual costs and tonnages are known could the exact extent of financial commitments be determined, however in the meantime an indicative example is provided: Assuming Ashburton District Council's annual additional transport costs could be approximately \$63,000 and Selwyn District's approximately \$3,000, a total of \$66,000 would need to be addressed. Using the percentages stated above would result in an annual financial contribution from Christchurch of \$61,500, Banks Peninsula \$500 and Waimakariri \$4,000."

The 9 August Subcommittee meeting also received a report which contained the following information on possible future dividends from Transwaste Canterbury Ltd:

INDICATIVE TRANSWASTE DIVIDENDS

As required under the agreement between shareholders, Transwaste will pay a dividend to shareholders annually when financially prudent. The current projected annual dividends to Council shareholders for the first five years of Transwaste operations, based on the indicative charges and current budgets, and estimated annual residual waste tonnage for disposal of 265,000 tonnes, are set out below.

Transwaste may decide to pay dividends at a similar level annually, to smooth out peaks and troughs arising from different levels of annual capital expenditure on landfill cell development, and to provide more financial planning certainty for shareholders.

Indicative Transwaste Dividends to Council Shareholders						
	05/06	06/07	07/08	08/09	09/10	Average
Christchurch	\$114,000	\$1,520,000	\$2,179,000	\$1,365,000	\$1,611,000	\$1,357,800
Selwyn	\$9,000	\$120,000	\$172,000	\$108,000	\$127,000	\$107,200
Ashburton	\$9,000	\$120,000	\$172,000	\$108,000	\$127,000	\$107,200
Banks Peninsula	\$3,000	\$42,000	\$60,000	\$37,000	\$44,000	\$37,200
Hurunui	\$3,000	\$48,000	\$69,000	\$43,000	\$51,000	\$21,400
Waimakariri	\$11,000	\$156,000	\$224,000	\$140,000	\$166,000	\$139,400

On 9 August it was also resolved by the Subcommittee that a further report on the transport cost scheme with information on the mechanism for the scheme be presented at the September 2004 meeting of the Subcommittee, and that any agreement be drawn up by external consultants and that such agreement should not have a specific term but should be reviewable by the Subcommittee.

UPDATE

Attached as Attachment A is a deed of agreement drafted by Buddle Findlay solicitors for consideration. It provides for the following:

- In consideration of having the Kate Valley Landfill within its district, the Hurunui District Council will not be required to contribute to the transport costs scheme.
- The Subcommittee will direct Transwaste Canterbury Ltd to hold the dividends upon trust for each of the Councils pending calculation of the 'equalisation payment'. After the appropriate equalisation payment (if any) for each of the Councils has been calculated in terms of a set formula, Transwaste will deduct the equalisation payment due from each relevant Council's dividend before paying the balance of the dividend to that Council.
- Where possible the cost share payment to the appropriate refuse station operator shall be made from dividends as above but where dividends are insufficient, payments will be made directly by the respective Councils.

Buddle Findlay has recommended that the attached deed be signed by the five transport cost scheme Councils (this excludes Hurunui District Council which as mentioned above is not part of the transport cost scheme).

Buddle Findlay has therefore recommended that the following recommendations be passed by each of the transport cost participant councils.

1. *That the Council participate in the Transport Cost Equalisation Scheme more particularly described in the attached Deed ("the Equalisation Deed") to the intent that the costs associated with the transport of solid waste to the Kate Valley Landfill be equalised across the districts administered by the Ashburton District Council, the Banks Peninsula District Council, the Christchurch City Council, the Selwyn District Council and the Waimakariri District Council and, accordingly:*
 - (a) *The Council enter into and execute the Equalisation Deed; and*
 - (b) *Make the delegations to the Canterbury Joint Standing Committee set out in the recommendation directly below.*
2. *That the Council delegate to the Canterbury Joint Standing Committee and its subcommittee pursuant to clause 3 of the Constituting Agreement dated 16 September 2003, authority to:*
 - (a) *Direct Transwaste Canterbury Ltd in the calculation of the Council's liability for equalisation payments in accordance with the equalisation formula set out in the Equalisation Deed;*
 - (b) *Monitor:*
 - (i) *the payment of any dividend payable by Transwaste Canterbury Limited;*
 - (ii) *the holding of such dividend by Transwaste Canterbury Limited;*
 - (iii) *the payment of the balance of any such dividend once any equalisation payment has been deducted; and*
 - (iv) *the payment of equalisation payments to refuse station operators, under the terms of the Equalisation Deed.*

DISCUSSION

The attached Deed provides a mechanism for implementing the transport cost scheme for two possible scenarios:

- (a) When there is no or insufficient dividend from Transwaste Canterbury Ltd then the Christchurch City Council, Banks Peninsula and Waimakariri District Councils would pay their respective contributions directly to the Ashburton and Selwyn District Councils according to the formula agreed to by the Subcommittee on 9 August 2004.
- (b) When the Transwaste Canterbury Ltd dividend is sufficient, then CWSC will direct Transwaste Canterbury Ltd to apply the transport cost scheme and pay to each Council what is due by adjusting the dividends accordingly.

The mechanism for the operation of the transport cost scheme can potentially result in not only territorial authority owned refuse stations in Ashburton and Selwyn being eligible for transport cost assistance, but any refuse station which is contracted to Transwaste Canterbury Ltd to deliver refuse to Kate Valley landfill. The reason for this is that should non-Council owned refuse stations in those district councils in future be established (none exist at present) and be excluded from the transport cost scheme as it currently operates, Commerce Act issues could prevent the scheme from operating at all. The Deed also provides for a review of the transport cost formula from time to time.

The current proposal in effect means that Christchurch, Banks Peninsula and Waimakariri communities will assist the communities of Ashburton and Selwyn in disposing of their residual waste at Kate Valley landfill in such a way that they are not disadvantaged by being furthest away from the regional landfill.

SUMMARY

The report recommends that the Christchurch City Council, Ashburton District Council, Selwyn District Council, Banks Peninsula District Council, and Waimakariri District Council adopt the recommendations below at their respective September 2004 meetings to give effect to implement a transport cost scheme for waste to Kate Valley.

Staff

Recommendation: That each of Christchurch City Council, Ashburton District Council, Selwyn District Council, Banks Peninsula District Council, and Waimakariri District Council pass the following resolutions at their September 2004 meetings:

1. That the Council participate in the Transport Cost Equalisation Scheme more particularly described in the attached Deed ("the Equalisation Deed") to the intent that the costs associated with the transport of solid waste to the Kate Valley Landfill be equalised across the districts administered by the Ashburton District Council, the Banks Peninsula District Council, the Christchurch City Council, the Selwyn District Council and the Waimakariri District Council and, accordingly:
 - (a) The Council enter into and execute the Equalisation Deed; and
 - (b) Make the delegations to the Canterbury Joint Standing Committee set out in recommendation 2.
2. That the Council delegate to the Canterbury Joint Standing Committee and its subcommittee pursuant to clause 3 of the Constituting Agreement dated 16 September 2003, authority to:
 - (a) Direct Transwaste Canterbury Ltd in the calculation of the Council's liability for equalisation payments in accordance with the equalisation formula set out in the Equalisation Deed;
 - (b) Monitor:
 - (i) the payment of any dividend payable by Transwaste Canterbury Limited;

- (ii) the holding of such dividend by Transwaste Canterbury Limited;
- (iii) the payment of the balance of any such dividend once any equalisation payment has been deducted; and
- (iv) the payment of equalisation payments to refuse station operators under the terms of the Equalisation Deed.

**Chairman's
Recommendation:**

That recommendations 1 and 2 be adopted.